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February 6, 2002

Mrs. Jean R. Lange
U.S. Agency for International Development
Ronald Reagan Building
1300 Pennsylvania Avenue, NW
Room 2.06-054
Washington, DC 20523

SUBJECT: CEE & NIS Bank Supervision – Bosnia Bank Supervision
Contract No.: NIS-I-00-99-00001-00: Task Order No. 2
Federation Banking Agency – Strengthening Bank Supervision

Dear Mrs. Lange:

Barents Group of KPMG Consulting Inc. is pleased to submit the final report for the subject project. The report contains a detailed breakdown of Tangible Results and Benchmarks achieved throughout the period of July 16, 1999 through July 15, 2001. This task order represents the continuation of work in Bosnia-Herzegovina (BiH) begun in July 1996. A new task order was recently awarded to us to continue additional follow-on work in supporting the BiH Government in developing their bank supervision capabilities.

Our team of Resident Advisors, Mr. C. Dale Wilson, Mr. Daniel Berney, and Mr. Greg M. Taber, supported with short-term advisors and in cooperation with their counterparts, has further assisted the Agencies in many areas of bank supervision. Some of which include:

- Promoting the institutional development of the Agencies in both entities.
- Building the Agencies' infrastructures and establishing effective supervisory processes, policies and procedures that incorporate the fundamentals of risk-based supervision.
- Establishing, refining and strengthening the legal and regulatory frameworks in which banks operate.
- Strengthening the Agencies' authority, capacity, and skills to regulate and monitor the banking system and individual banks through on-site, off-site, and problem bank supervision.
- Beginning the initial process for an examiner's accreditation program.

We are very pleased with the overall results achieved under this task order. The majority of the Tangible Results and Benchmarks were met; however, some of them achieved Partial Completion and the Agencies, as well as the advisors, are diligently working toward full completion. It is important to

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mention, that during the performance of this task order technical assistance priorities changed. The changing priorities and our ability to partially achieve a few of the task order objectives are clearly outlined in monthly and quarterly reports. All deviations were communicated on an ongoing basis with USAID officials. In those situations, our advisors, assisted by a group of experienced short-term consultants, were able to face the challenges and provide the Agencies with the necessary technical assistance and guidance required.

We also take this opportunity to thank USAID for its continued support since the inception of this program in 1996 and the senior management of both agencies, FBA and RS-BA, for their commitment to the strengthening of bank supervision and overall safety and soundness of the banking system in BiH. Since its commencement and moving forward, our advisors and counterparts have developed close relationships and have worked in partnership with the international community. We look forward to continuing these strong working relationships.

In summary, as we continue strengthening bank supervision under the new task order we look forward to providing further technical assistance and guidance to the supervision staff and senior management of both agencies in the areas of supervisory processes; problem bank supervision; examiner training and accreditation, licensing activities, and agency organization and development.

In delivering this final and project completion report, together with the monthly and quarterly reports submitted throughout the term of this project, we have fulfilled our reporting requirements as outlined in task order.

If you have any questions of a technical nature about the documents and information presented here, please do not hesitate to contact me directly at (954) 693-8895 or via email at ffigueroa@kpmg.com or Lori Bittner Yerzyk at (703) 747-7558 or via email at lbyerzyk@kpmg.com.

Very truly yours,

Barents Group of KPMG Consulting Inc.

Francisco R. Figueroa
Manager

Enclosure

Cc: Mr. Dan Rathbun, Director of the Economic Restructuring Office (ERO)
Mr. Yasou Izumi, World Bank/Washington
Ms. Elaine Patterson, World Bank Mission/Sarajevo
Dr. Bruno De Schaetzen, IMF Resident Representative/Bosnia
Mr. Warren Coats, IMF Washington (Complementary basis for information purposes)
Director of Policy, USAID, Center for Development Information

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PROJECT COMPLETION REPORT: Strengthening Bank Supervision

TO: **Ms. Jean Lange**
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Copy TO: Bryan Kurtz
Economic Restructuring Office
Sarajevo, Bosnia-Herzegovina

FROM: **C. Dale Wilson & Greg M. Taber**
Bank Supervision Advisors
Bosnia-Herzegovina

RE: **Completion Report for Period July 1, 1999 to July 15, 2001**
Strengthening Bank Supervision
Contract NIS-I-00-99-00001-00
Task Order NIS-I-02-99-00001-00

NOTE: Modifications were incorporated for contract Extensions from 11/30/00 through 7/15/01.

EXECUTIVE SUMMARY

The Tangible Results and Achievements vary widely from YES-Achieved, NO and PARTIAL. The areas with highest achievement include the Legal Framework, i.e., the Law on Banks, the Law on Banking Agency, Regulations issued by the Agency and Deposit Insurance Law. Also, Agencies' expertise and ability to determine areas of risk and concern needing the highest attention reflects favorably on training and learning experience. This generally applies to both agencies.

Federation Banking Agency

The Federation Banking Agency (FBA) has developed considerable expertise in the supervision of problem banks, interventions and resolution. They have taken over 19 banks and put under Provisional Administration. Five of these and one bank taken over by OHR remain in Provisional Administration, six are in Bankruptcy Court and three are in Liquidation by FBA. Of the 19 banks, 3 banks' depositors were fully protected by mergers or liquidation and 6 are projected to be fully covered by actions that should close by YE-01. One bank's depositors were substantially protected (individuals = 100%, companies = 85%) and one is an ongoing partial pay-out. Most of these interventions were privately owned banks covering a range of problems from massive insider abuse and fraud, to poor management practices leading to illiquidity and insolvency, and to banks simply unable to meet the increased minimum capital. The FBA has procedures and processes in place to provide some consistency in approach, ratings, corrective actions and decisions on best courses of action for the worst banks.

The FBA has appropriately focused on the serious problem banks and now needs to begin transition to more pro-active supervision on the less serious, more routine banks to educate management how to avoid problem status and towards more successful results. There are a number of areas needing more emphasis in present banking activities and in emerging risks. Recently, some examinations have increased the focus on operations and systems in banks without serious credit or insider problems. More emphasis is also needed on Examination Procedures, i.e., adapting the procedures for efficient use in carrying out proper risk based examination scopes and corrective actions.

Another area the FBA needs improvement is automated programs for database reports. IT has focused on developing forms (programming) and has not completed a database management program for analysis. Off-site Analysis uses a Personal Computer (PC) based model requiring some input effort and time. Off-site needs additional training on substance, significance and cause vs. "percent up/ percent down".

Banking Agency – Republika Srpska

The Banking Agency of Republika Srpska (BA-RS) examiners have worked with the Examination Procedures and have a good understanding of how they should be adapted for examination use. They have had limited problem bank experience as most banks are state-owned and are awaiting privatization efforts to be concluded. And, the private banks are small with limited activities.

BA-RS recently intervened in 2 small state-owned banks as they had failed privatization and were essentially in limbo. They studied the procedures developed at FBA, worked closely with advisors and had few problems on their first interventions.

Off-site Analysis has a PC based model that eliminated most input efforts. Considerable advisor efforts are reflected in the steady improvement of analysis reports and automation results. Additional effort needed to increase the focus on significance vs. form.

BA-RS also needs to look beyond the most basic risks to other risks that will develop as bank operations become more active and aggressive. Payment transfers, foreign exchange, guaranties/letters of credit, operational and IT risks need deeper evaluation. Additionally, there are emerging risks needing attention by both agencies in such activities as insurance, managing companies for privatization investment funds, subsidiaries/ affiliates, etc.

There has been a significant loss of management experience and continuity by the turnover of most members of the Managing Board and top Officials of BA-RS. This indicates a need for additional training and support. Additional approaches are needed to enhance the expertise of top officials.

Prior training of officials was not completely lost though. The first director of BA-RS is now Deputy Minister of Finance with banking as one of his responsibilities. The last Director is now an advisor to BA-RS on provisional administration and privatization.

BA-RS also suffers from inadequate funding. The RS banking system is too small and weak to provide adequate funding. It is hoped that the effort to place the banking agencies under the Central Bank will be successful and help alleviate these two problems.

Major Accomplishments

- Legal and Regulatory Framework
  - A sound legal basis has been developed to effectively supervise banking and enhancements are in process.
  - FBA Advisor is participating in a working group to revise the Law on Banks to improve its effectiveness and harmonization with new Law on Enterprises. Discussions will soon expand to include Republika Srpska. New/revised regulations will be issued afterwards, offering an opportunity to enhance them also.
  - A revision of deposit insurance law is in process.
  - Other Laws relating to banking, lending, collateral, collections are in revision.

- Development of core examination skills
  - Examiners in both Agencies have a good understanding of basic examination skills. Much of the formal and in-bank training appears in examination practice. BA-RS examiners are using standard procedures and recommending changes.

- Problem bank supervision
  - FBA and BA-RS examiners are performing problem bank examinations, including those failing by liquidity or solvency. TA provided on earlier banks, now limited to advising on most difficult banks. Officials are developing Strategies and Orders to banks for corrective actions.

- Bank Intervention – Takeover
  - Procedures were developed. TA and advice was provided on Interventions & Takeovers. Procedures were expanded and detailed as result of use and recommendations. FBA has performed 19 bank interventions and has a good grasp of the process. Advisors have reduced TA and advice on the last few bank interventions. BA-RS recently performed its first 2 bank interventions with TA and advice of Advisors. These went smoothly. Recommendations from BA-RS will be reviewed for incorporation into the procedures.

- Bank Resolution and Liquidation
  - Advisors provided advice on managing and resolution, including use of a purchase and assumption type sale and liquidations. The Intervention procedures were expanded to include these activities. FBA successfully completed one P&A after months of deliberations, an excellent lesson. Several resolutions will be full depositor pay-outs.

- Bank Reporting, Offsite Supervision Database and Analysis
  - Advisors assisted the development of bank reports that essentially meet IAS (similar to U.S. Reports). Advised on bank reporting, database development and analysis skills (good progress in BA-RS using PC model, FBA has database development problems, so also using PC model.) Advisors provided periodic advice on Audit review and reconciliation with off-site reports, and analysis.

- Referrals of suspected criminal violations of law
  - Examiners are now initiating referrals. This has taken time as it conflicts with local practice and culture, but progress continues.

- Payments System Reform
  - Advisors assisted on Review of Payments System and in developing Reform efforts.
  - Reform eliminated the Payments Bureau and transferred the payments operation to commercial banks. Only minor problems occurred. This is widely viewed as successful.
  - Advisors developed and advised on implementation of Approval Procedures for bank participation in payment transfers and Examination Procedures.

- Deposit Insurance
  - Advised on Law and Amendments, criteria for bank participation, procedures, budget and relationship to banking agency (many meetings and recommendations in 2+ years). Advisors are assisting with revision of law and combining of the 2 agencies at the state level.

- Legal Protection for Agencies' officials, staff and agents
  - Advisors worked with USAID, Central Bank, World Bank, IMF, UST and OHR to develop Amendment to Law and get enacted. Advisors working with counterparts on minor revision during present Law revision in process to enhance protection.

- Coordination with Central Bank
  - A very positive relationship has developed. CBBH and agencies are working together to place the agencies under the umbrella of CBBH.

- Bank Privatization
  - Advised on analysis of Opening Balance Sheets. Participated in numerous meetings on potential changes to Law, obstacles and plan reviews. Advised on licensing new owners.

- Banking Sector Coordination Group
  - Advisor initiated communication to get this group organized and to act promptly on critical issue. Ad hoc group (World Bank, IMF, USAID, Central Bank, OHR, EU) meets periodically as needed to consider major issues needing special attention.

- Agency Security
  - Advised on improved physical and information security, which has been upgraded.

Key Efforts Needed by USAID Bank Supervision Advisors

- Put the agencies under the umbrella of the Central Bank
  - To strengthen their authority, improve effectiveness and efficiency by protecting the independence, competence and reliability of their operation. Ensure the development of an effective organization and smooth transition. Advisors are on the working group.

- Enhance Examiners Skills and Procedures
  - Expand beyond present practices, including basic procedures not being performed, implementing standard examination procedures, understanding risk management for new activities emerging, improving effectiveness in obtaining prompt corrective action, and effective communication to help bankers improve compliance, soundness and performance of their banks.

- Enhance Problem Bank Supervision
  - Improve detection and supervisory actions to correct bank's performance. Ensure timely intervention of banks failing privatization or increased capital requirements.

- Enhance Bank Resolution After Takeover
  - Review written managing, liquidation, marketing policies and procedures per recommendations developed in practice. Encourage prompt resolution actions.

- Enhance Offsite Supervision Automated Database and Output Capability.
  - Enhance analytical skills to detect developing problems and obtaining corrective actions and to respond to newer bank products and services.

- Improve Effectiveness of Bank Supervision Management
  - Provide support for new BA-RS management.

- Develop Examiner Accreditation Process

- Develop Internal Training Program
  - Begin formal training for newer staff incorporating "Train-the-Trainer".
  - Re-start formal training for experienced staff to enhance and expand skills.

- Enhance External Communication
  - Get message out to bankers, public, international organizations, government, police, prosecutors, etc.

- Improve Internal Communication
  - Assist in developing better internal communication, teamwork, etc.

- Improve Personnel Management
  - Assist in development of base for Performance Management

- Assist other programs identify banking problems and recommend solutions (e.g., collateral, lien, mortgage, title, central registry, judicial process, forced collection, sale of foreclosed property, etc.)

NOTE: This section specific to Federation.

TANGIBLE RESULTS & BENCHMARKS: (Federation Banking Agency)

Modifications made to Task Requirements as contained in the Extensions to 7/15/01 are noted by * .
Level of Achievement noted in Bold type in ACHIEVED column = YES, NO, PARTIAL

Expected Results	By Date:	ACHIEVED a/o 7/15/01:	Recommended Actions Forward.
TA Planning: Current Assessment of legal/regulatory & economic/financial environment by update review using Bank Supervision Assessment Matrix.	3Q-99	**YES.** Completed Sept. 1999 Substantial progress evident, much needs to be institutionalized for lasting effect. Some law changes related to banking needed, privatization needs to be concluded, etc.	BSAM needs update 3-4Q-2001 to ensure focus and coverage on key areas. BSAM & Basle "best practices" in Core Principles planned for Oct. 2001.
TA Work Plan developed, approved.	3Q-99	**YES.** Completed Oct. 1999	Update Work Plan to new contract, in view of above results & FBA needs.
Update BSAM & Basle	4Q-00	**PARTIAL.** Informal review.	Planned for Nov. 2001.
Update Work Plan	Dec-00	**YES.**	
A. Supervisory Processes & Procedures 1. Offsite Surveillance: Training to ensure FBA uses increasingly sophisticated techniques to evaluate condition of banks & banking system.	Periodic- Ongoing 3Q-99 1Q-00	**YES.** Formal training provided Aug. 99, OJT provided Oct. 99, Mar. & Sept. 2000. Noted problems in database, changes needed. OJT Review, Training & Recommendations in Feb-March, 2001.	Additional On-the-Job Training (OJT) & FBA efforts needed for automated database & analyses. FBA needs modified approach to automated database for analysis.
*Enhance efficiency, capability & uses.	*1Q-01	Problems noted in IT program approach, results & timetable. Addl. efforts needed by FBA & changes in IT mode of development.	Expect to continue PC model until main database completed, refine its usefulness.

Revised bank reports, Chart of Accounts & schedules will be bases for analysis.	3Q-99	**YES.** Unified bank reports implemented a/o June 30, 1999. FBA conducted training sessions for bank staff in July & Oct. 1999. FBA conducted addl. training for bank staff in Jan. 2000 for changes in reports.	Addl. OJT in 4Q-01 & 1Q-02. Enhance PC database model, provide training to improve skills and analyses, emphasize use of technology & substance of analysis vs. form.
Analysis/findings will be updated regularly & communicated to mgmt. They will be used in onsite scope planning and follow-up actions.	2Q-00	**PARTIAL.** Process is more manual & form oriented, but some analysis noted trends, factors that were used to scope/timing plans and for follow-up. Much of analysis focused on system overview vs. individual banks.	Above.
Policy & Procedures Manual – Draft *Formalize process.	1Q-00 *1Q-01	**PARTIAL.** Portions completed Mar. 2000 Draft completed by TDY Feb-Mar-01.	Above, addl. formal, joint OJT needed.
Implementation & Training *Addl. training	2Q-00 *1Q-01	**YES.** Draft put into practice, OJT done.	Same above.
Analysis and Early Warning Reports used to develop risk-based profiles & supervisory strategies.	2Q-00 to 4Q-00	**PARTIAL.** Profiles & Supervisory Strategies are informal except on problem banks.	Include with formal, joint OJT training above.

2. Bank rating System: *(Assist development of internal rating system for analytical basis & methodology for supervisory & enforcement decisions.)*		**YES.** Draft of Comprehensive Internal Rating Criteria completed October 1999 that is based on Federal Financial Institutions Examining Council (FFIEC) Bank Rating System with benchmark criteria added to each component & composite. FBA Managing Board postponed decision pending further review and testing. Some benchmark criteria modified based on testing. Revised Draft to be tested. Revised Regulation approved Dec-00.	

2.a) Assign internal numerical rating to each bank based on CAMELS and overall financial & operational risks.	2Q-00	**YES.** FBA examiners develop rating recommendations on banks for their supervisors, then review in committee along with recommended supervisory action, then present to Director for final approval.	
Provide training to use ratings to develop overall supervisory strategies, design ON and Offsite review objectives & to require corrective actions by banks.	1Q-00	**YES.** "Overall Conclusions & Bank Ratings" training 1/25/00 focused on developing evaluation of bank's overall condition, future prospects & numerical rating for components & composite. Also, effective supervision strategy, communication, corrective action and follow-up. OJT in Mar. 2000 applied ratings on test basis offsite. Addl. training/testing needed.	Repeat Formal training with updated case studies from recent bank situations, including serious problem banks & banks with moderate problems. Follow-on with OJT.
Ensure consistency in written policies & procedures.	1Q-00	**YES.** Included in policies and procedures.	
Recommend strategies & timetable to disclose Composite ratings to banks.	4Q-00	**PARTIAL.** FBA is not comfortable with disclosure of ratings' decisions yet, but policy includes disclosure & FBA plans to begin disclosing Composite to banks 1Q-02.	
Provide training to banks to understand evaluation criteria & use of ratings. *Re-schedule bankers' training	2Q-00 *4Q-01	**NO.** FBA will use ratings internally for a period of time before disclosure. Bankers' Seminar on bank ratings will be planned 1Q-02 or when disclosure made. Note: Bankers' Seminar on Violations and Penalties held to explain common law & regulation violations and how penalty process works, appeals, etc.	

3. Onsite supervision: *(Agency staff takes increasingly more responsibility for entire exam process. Advisors continue to provide advice and OJT Onsite & ensure effective, standardized and integrated with overall supervisory process. More hands-on effort on new, more complex issues/exams, e.g. serious problems, rapid deterioration, off-balance sheet issues & liquidity crisis.)*		Note: FBA has Intervened in 19 problem banks, 6 are under Prov. Admin. FBA examiners conduct regular examinations and most problem banks on their own. Advisors provide TA on serious problem banks, liquidity & solvency failures, & on most interventions. Advisors review issues or reports at request of FBA officials and answer questions from examiners rather than inject direct guidance as in earlier time. Continued improvement is noted in quality of efforts by examiners, esp. the problem situations & Interventions. The number of banks decreased from peak of 55 YE-1998 to 36 7/15/01. The quality of the banks in recent interventions is much better than earlier periods, i.e., most of the recent banks taken-over can be sold, merged or liquidated without depositors losing their funds.	FBA needs addl. staff, and then TDY TA on-site to re-emphasize some important functions, actions needed. Tendency is to focus on the most critical & visible issues due to shortage of time and staffing.
3.a Enhance annual risk-based scheduling process (realistic, achievable). Balance risk priorities to allow for all banks to be adequately reviewed within periodic schedule.	1Q-00	**PARTIAL.** An annual schedule is prepared based on informal risk prioritization. Quarterly scheduling & periodic adjustments factor in risks, but much of adjusting is due to critical reactions, e.g., determination of serious liquidity or solvency concerns.	TA to focus on scope based on risks, communicating corrective action needed and obtaining correction.
3.b. Work with EICs to enhance effectiveness & efficiency of onsite reviews. Training on Scopes, Request Letters, and staff assessment. & monitoring, ROE is	3Q-99 & Ongoing " "	**PARTIAL.** Jan-01: Examiners using revised procedures and making recommendations. Working group to be established joint with BA-RS examiners. Delay due to concentration on serious	

well written.		problem banks.	
3.c. Basic Exam. Procedures Manual fully implemented. *Emphasize need to fully implement.	2Q-00 *2Q-01	**PARTIAL.** Examiners use portions of manual but feel that time does not allow full usage. Above	Use TDY to work with, facilitate Working Groups.
Expand core procedures, draft, test & implement. Establish working group to keep updated, current and useful.	3Q-00 & Ongoing 2Q-00 to 4Q-00	Above **NO.** Limited effort here but needed as soon as practical in view of time pressures due to critical banking problems. Working was established, but was delayed for serious problem banks.	TDYs to review actual emerging risks in serious problem bank, develop procedures & training. Addl. areas of risk that need TA are: Operating Subsidiaries, Insurance, Managing Cos. For Privatization Invest. Funds, Affiliated / Related parties. Planned for 3Q & 4Q-01.
3.d Guidance on Workpapers, reporting formats, = appropriate, standardized, consistent.	4Q-99 & Ongoing		
3.e. Ensure exam. Findings communicated to bank & Agency, and corrective actions obtained, violations corrected.	Ongoing	**YES.** In formal & OJT training.	Continue-ongoing emphasis in all training, OJT and interactions.
Training to improve methods & techniques for follow-up on corrective actions, e.g. database to track actions.	2Q-00	**YES.** Good improvement noted, examiners/supervisors giving strong effort to correct problems. Ongoing advice on communicating and obtaining corrective actions. FBA uses meetings, "Written Orders", fines imposed by a Commission of Attys. As Administrative Judges, etc. Frequent discussions with senior officials on best course of corrective action & enforcement. Manual tracking on PCs.	Provide formal/OJT to emphasize need to develop pro-active approaches to preventing or reducing problems, e.g., discussing potential or developing problems and how to minimize risks. Emphasize more action during exam. & in ROE to get correction or improvement before reaching "Order" stage.

4. Supervisory Monitoring System/Recordkeeping *(Develop interactive technology-based supervisory monitoring system for recording onsite exam. Results, offsite reviews, other interactions with banks.)*		Presently: PC based reports by specific individuals, not inclusive or interactive & not generally available to other users.	
Develop concept, Outline Plan, Draft Policy & Formats for financial data and internal bank ratings	3Q-00	**NO.** Delayed due to concentration of efforts on serious problem banks and IT programming obstacles.	
Initiate System Development	4Q-00	Same.	
*Develop, Implement & Train in use	*4Q-01		Review and seek alternative approach for objective and end result needed.
B. Problem Bank Supervisory Responses 1. Supervisory Responses: *(Assist development of appropriate responses to risks & weaknesses at banks & within system. Focus on standardized policies for resolving /liquidating failed banks on appropriate & least-cost bases.)*		Overall Conclusions & Bank Ratings Training conducted Jan. 2000 included strategies, corrective actions, enforcement, problem banks & follow-up, along with primary focus on determination of bank's overall condition and assigning CAMEL ratings based on FBA Draft Regulation.	Repeat this training as noted above.
1.a) Assist Agency to strengthen policies & procedures to deal with problem banks.	Ongoing	**YES.** Frequent topic of meetings on bank supervision, corrective actions. Specific bank actions discussed, how best to address.	
*Complete proc. manual, implement.	*1Q-01	**YES.** Revised & Expanded Draft completed Dec-00, translated Jan-01. Review, edit & implementation planned 1Q-01. TDY & Local Hire Advisor assisted. Addl. revision in 2Q-01 separated	

		procedures into 2 Manuals, a) Take-over & Closing Procedures, b) Provisional Administrator, Resolution & Liquidation Procedures. Final product implementation in new Problem Bank Dept. TDY Advisor assisted establishment of that dept., developed procedures.	
Emphasizes: 1) consistent & timely corrective actions, 2) tailor action to severity of problem. Develop expertise.	2Q-00	**YES.** FBA adopted recommended process for determining problem bank response, including committee review & transfer from Supervision to Problem Bank Dept (i.e., Provisional Administration) This process provides consistency & timely response to actions needed.	
1.b) Assist Agency to determine If, When & How banks to be closed if insolvent.	1Q-00 & Ongoing	**YES.** As above.	
Refine Conservator manual to address roles & responsibilities of Agency & Provisional Administrator.	2Q-00	**YES.** Above.	
Provide guidance & training to PA.	Ongoing	**YES.** TDYs assigned to assist & advise.	
1.c) Provide training on determining least-cost strategy of resolution. Develop & train on models for resolution options & techniques.	2Q-00	**PARTIAL.** No models developed, rationale of resolution options included in discussions on Provisional Admin.	
1.d) assist Agency develop communications policy & process to inform public, government & other on resolution/liquidation of failed banks.	4Q-99 & Ongoing--2Q-00	Advice provided on several news items, and responses to interviews. FBA now has experienced Press & Communications official who assists with Releases.	

C. Examiner Training & Accreditation 1. *Identify new training needs; focus on advanced topics and techniques, and products. Emphasizes more interactive training & discussions, case suits.*		**PARTIAL for whole area.** 8 from 2 agencies attended US-based training 11-00 for this combined area of Training, Performance Mgmt. & Accreditation. U.S. training was base for developing this area.	Re-engage this issue in 4Q-01. Re-start joint mtgs. 1Q-02.
1.a) Help Agency develop formal in-house & external training program. New hires will have training in all basic & core areas. Help identify trainers, train them & set minimum standards for classroom & OJT. Help determine best outside training operations to complement classroom & OJT.	2Q-00 & Ongoing 3Q-00	2 Working Groups were established at each Agency; 1 focused on Assessment Evaluation Forms and instructions, & other on developing criteria and process leading to Accreditation of Examiners. TDY Advisor facilitated began development of portions in Feb-01. FBA & BA-RS Working Groups held joint sessions Feb-01, agreed to continue work with frequent telephone contact, then another joint session later, however	
1.b.) Help Agency develop & implement accreditation process. Help develop standard criteria & test. Include realistic timetable & interim measurements.	2Q-00 – 4Q-00	FBA Working Group suspended efforts for a period for higher priority supervision problems. TDY Advisor/ Facilitator return was postponed due to the supervision problems needing priority attention.	
*Complete, conduct 1st certification.	*3Q-01	**NO.** Est. now 2Q-2002	
1.c.) Help identify external training needs, plans of study & candidates. Work with Agency & IFIs, et. al. for opportunities & funding for external training. Emphasis: new & peripheral areas.	3Q-00	**NO.** Train-the-Trainer, Communications & Managing the Examination delayed for critical supervision & enforcement matters.	Address this area following & in conjunction with re-engagement of above comprehensive area.

D. Licensing Activities & corporate Activities			
Assist Agency to develop comprehensive licensing & corporate policies & procedures manual for proper control of entry & exit.	4Q-99	**YES.** TDY assisted in comprehensive revision of Manual in Dec-99. Included new licenses, mergers, acquisitions, branches, etc. Newly permitted activity, internal payment transfers was included as Payment Bureaus out. The process was tested in Jan-Feb. 2000 with TDY advisor assisting staff to ensure process properly developed & implemented.	
Ensure timely & transparent decision making process.	1Q-00	**YES.** Included above.	
Provide training to ensure implementation of policies & procedures.	1Q-00	**YES.** Noted above, Feb-00.	
Assist development of communication on revised licensing/corp. requirements.	2Q-00	**YES.** Included above.	
*Review procedures, advise on update.	*3Q-01		Revise to Amendments or new Law on Banks expected Nov-01. Review process; focus on more in-depth analysis of organizers, founders, proposed senior officials & the projected business plan. Estimate such TA in 4th Qtr-01 or 1Q-02.

E. Agency, Management, Organization & Communication/Outreach Activities			**NOTE: Major change likely as 2 banking agencies to be placed under Central Bank umbrella YE-01 or early 2002. This will require changes in organizational structure.**
1. Organizational Structure: Assist Agency to ensure that structure, lines of authority and position descriptions remain appropriate.	4Q-99 to 3Q-00	**PARTIAL.** TDY advisor conducted review in Jan. 2000. Conclusions reviewed with officials and translated report subsequently furnished.	Follow-up needed before completion of the Working Groups on Assessment Evaluations and Accreditation.
Provide guidance on process to evaluate staffing needs and interview/select new employees.	4Q-00	**PARTIAL.** U.S. based training Nov-00 was background and initiation step for developing base for a performance mgmt. system in 2001. Delayed due to high priorities on problem banks.	TA effort needed to focus organization on Agency vision & objectives, enhance accountability of teams and individuals for responsibilities.
Assist with periodic reviews to ensure the structure remains current with needs and strategic objectives in view of constraints.	4Q-00 & Ongoing	Above.	
2. Organizational Policies/supervisory Culture:		(See U.S. based training above, follow-up w/ in-country training.)	
Assist Agency to formalize personnel policies to ensure that all staff understands expectations of Agency.	2Q-00	**PARTIAL.** Process included in U.S. based and In-country follow-on training developed to enhance skills in this area, and to address some issues noted in the review above.	
Ensure personnel policies are documented, and address evaluation, benefits, ethics & professional behavior.	2Q-00	**PARTIAL.** Training in Ethics & Professional Behavior provided. Management, Communication, Performance Management process, Teamwork, etc. included in U.S. based training.	

3. <u>Communication Processes:</u>			
Assist Agency develop formal communication channels internally & externally.	4Q-99 & Ongoing	**PARTIAL.** Comments included in Review above.	
Regular communication must exist between Agency, banks, banking system & other agencies.	4Q-99 & Ongoing	**YES.** FBA officials & advisors participate in monthly meetings with BA-RS, Deposit Insurance Agency & Central Bank-BiH.	
Guidance will assist determination of proper info. To disseminate to banking system & to public to build confidence in Agency.	1Q-00	**YES.** Former FDIC Spokesperson briefed FBA officials in this area in Nov. 1999, gave recommendations. FBA employed person for this task, getting training, then left, but was replaced by experienced person in News, Press briefings and Communications. Dep. Brkic writes/translates articles each month in BANKE magazine on rating banks, Law & Regs., Basle, how to analyze balance sheet, etc. New Press person plans, organizes various positive & educational items.	
F. Legal/Regulatory Framework			
1. Assist Agency to refine Law on banks & maintain harmonization.	Ongoing	**YES.** Presently on working group for major changes to Law on Banks to harmonize with Enterprise law and incorporate list of recommendations accumulated.	
2. Assists in further development of regulations to delineate Law and ensure safety & soundness.	Ongoing	**YES.** Assisted on several regulations, including: Payment Transfers, Bank Ratings, Public deposit concentrations, etc.	

3. Assist Agency to provide interpretations of law/Regs. As needs to promote understanding & effectiveness.	Ongoing	**YES.** Assisted interpretation of transition amendment to regulation on Loan Loss Reserve. Assisted planning on Bankers' Seminar in 12-00 to present Laws/Regs. Violations-Penalties Process.	
4. Provide legal guidance on financial sector issues that will impact the bank supervisory function (micro-finance, payment system, etc.)	Ongoing & as needed	**YES.** A very critical issue was legal protection for supervisors while performing duties. Existing law allowed lawsuits & threats against supervisory officials & employees. OHR decreed amendment drafted by USAID Advisors, FBA attys. & OHR based on Basle & western systems.	
*Develop list of needed changes in law, regs, practices for attention & action, esp. in relation to problem bank resolution.	*Ongoing	**YES.** Advisors (TDY, Local Hire & RA) and FBA accumulated lists now included in working group to amend Law on Banks.	
G. Other supervisory Tasks <u>Other Activities:</u> Provide technical guidance in related areas as requested by Agency & approved by CTO. This may include: accounting reform, depositor protection, payment system reform, information technology, etc. And, to assist other TA projects related to banking sector as requested by USAID.	As needed, Ongoing.	**YES.** Considerable effort given on payments system reform. Frequent inputs provided on deposit insurance, bank privatization, accounting issues/reform, collateral & registry laws.	

NOTE: This section specific to Republika Srpska.

TANGIBLE RESULTS & BENCHMARKS: (Banking Agency – Republika Srpska)

Modifications made to Task Requirements the Extensions to 7/15/01 are noted by *.
Level of Achievement noted in Bold type in ACHIEVED column = YES, NO, PARTIAL.

Expected Results	By Date:	ACHIEVEMENT a/o 07/15/01:	Recommended Actions Forward
TA Planning: Current Assessment of legal/regulatory & economic/financial environment by update review using Bank Supervision Assessment Matrix.	3Q-99	**YES.** Done September 1999 Moderate progress in supervision area, but needs to be institutionalized. Weak economy, little privatization, etc. Additional changes needed in banking laws.	Needs Update 3Q-2001 to ensure focus and efforts on key areas. BSAM & Basle "best practices" planned for Oct-01.
TA Work Plan developed, approved.	3Q-99	**YES.**	Update Work Plan to new contract in view of above results & BA-RS needs by Nov-01.
Update BSAM & Basle	4Q-00	**PARTIAL.** Informal Review.	
Update Work Plan	Dec-00	**YES.**	
A. Supervisory Processes & Procedures *(Implementation of integrated supervisory approach, incorporating risk-based supervision)*			
1. Offsite Surveillance: Training to ensure BA uses increasingly sophisticated techniques to evaluate condition of banks & banking system.	1Q-00	**YES.** Formal training Aug-99, OJT Oct-99, Sept-00, OJT Dec-00, good progress noted.	Plan TDY for Sep. and Nov-01, to continue Offsite Procedures (Draft initiated), focus on intervention preparation and support.
Revised bank reports, Chart of Accounts & schedules will be bases for analysis.	2Q-00	**YES.** Oct-99 & Jan-00 TDY Advisor worked with Agency & MOF on design of new Chart of Accts. Regulation issued to require new reports in	

		COA format. Later BA-RS required banks to re-submit reports by new standards. Some banker training needed, BA-RS to mostly do one-on-one training.	
Analysis/findings will be updated regularly & communicated to mgmt. They will be used in onsite scope planning and follow-up actions.	3Q-00	**PARTIAL.** Training by TDY June, Sept. & Dec-00. Emphasis shifted towards more analysis of substance as accuracy of data improves. Sept-00 noted substantial improvement in database mgmt. and in analysis output. OJT June-01, Critical assistance with report reconciling audit and reporting results, internal and for report to Parliament.	
Policy & Procedures Manual – Draft	2Q-00	**PARTIAL.** Initial procedures outlined, more work needed as part of OJT planned.	
* Formalize procedures, Complete manual, implement.	1Q-01	**PARTIAL.** Addl. training Sep-01, Nov-01 Revision and completion of manual has been slowed by other priorities (see audit reconciliation, preceding; also, bank intervention support)	Plan TDY OJT 4Q-01.
Implementation & Training * Addl. training	3Q-00	**PARTIAL.** USAID funded computers and software provided. Analysis program same as FBA loaded and initial training provided. Limited OJT provided, addl. Planned. Addl. Computers & software are needed to facilitate receipt of reports and communication with banks & CBBH.	Plan TDY OJT 4Q-01 & 1Q-02.

2. Bank rating System: *(Assist development of internal rating system for analytical basis & methodology for supervisory & enforcement decisions.)*		BA Director has copy of FBA draft regulation, pending review of Managing Board. Director & Managing Board hesitant to communicate ratings at this time (Most banks in privatization process).	
2.a) Assign internal numerical rating to each bank based on CAMELS and overall financial & operational risks.	2Q-00	**PARTIAL.** Internal Regulation not yet formalized. Examiners are using CAMEL approach to examinations and assigning ratings in "Test-run" as on-site work is performed. TDY Advisor OJT Aug-Sep-01.	TDY Advisor continued with examiners on trial ratings, Aug-Oct. 2001. Addl. training & formal process needed to complete implementation.
Provide training to use ratings to develop overall supervisory strategies, design ON and Offsite review objectives & to require corrective actions by banks.	1Q-00	**YES.** Classroom Training provided Jan. 2000, OJT being provided by TDY advisors beg. Mar. 2000 thru May 2000. TDY advised examiners OJT Nov-Dec-00. TDY advised examiners OJT Feb-Mar 01	Repeat "Overall Conclusions & Bank Ratings" Seminar all Supervisory staff. Update case studies w/ real cases. Follow-on with OJT.
Written policies & guidelines will be used to ensure consistency.	2Q-00	**PARTIAL.** Draft contains specific guidelines.	
Recommended strategies & timetable to disclose certain aspects of ratings to banks.	4Q-00	**PARTIAL.** BA-RS not comfortable with disclosure yet, wants more experience and testing. Also, banking system still primarily focused on privatization so ratings not yet practical for majority of system.	
Provide training to banks to understand evaluation criteria & use of ratings. *Re-schedule bankers' training.	2Q-00 *4Q-01	**NO.** Seminar to be scheduled in coordination with beginning of disclosure.	Plan Bankers' seminar on bank ratings for early 2002 harmonized with disclosure.

3. Onsite supervision: *(Agency staff takes increasingly more responsibility for entire exam process. Advisors continue to provide advice and OJT Onsite & ensure effective, standardized and integrated with overall supervisory process. More hand-on effort on new, more complex issues/exams, e.g. serious problems, rapid deterioration, off-balance sheet issues & liquidity crisis.)*		TDYs now assist on exams. & report increasing leadership & competency by BA examiners. Some exams. completed without Advisor. Advisors primarily assist on larger banks or to enhance skills beyond routine issues. TDY Advisor in Feb-Mar-01 reported that his role had really become as Advisor and discussion facilitator on examination issues, characteristics of bank ratings and corrective measures.	
3.a Enhance annual risk-based scheduling process (realistic, achievable).	1Q-00	**PARTIAL.** BA-RS developed 2000 & 2001 supervision schedule using time lapsed and informal approach to risk prioritization. Schedule is modified in view of discovery of problems. Addl. efforts will be given to formalizing risk-based scheduling process (incl. CAMEL ratings as above).	RA & TDY continue to stress need for improvement in these areas. Emphasize in training.
3.b. Work with EICs to enhance effectiveness & efficiency of on-site examinations. Training on Scopes, Request Letters, staff assessment. & monitoring, writing Report.	4Q-99 & Ongoing	**PARTIAL.** TDY assistance focused on OJT development of EICs and exam. staff. TDYs in Feb, Mar, Aug-Nov-00 focused on this area. Quality of Report writing is high.	
3.c. Basic Exam. Procedures Manual fully implemented. * Emphasize need to fully implement.	2Q-00	**PARTIAL.** Draft Procedures are being used on present exams. Recommendations are being noted for discussion & revision. **YES.** TDY emphasized Exam. Proc. In OJT.Nov-Dec-00, Feb-Mar 01, Aug-Sep 01. Exam. staff has been actively reviewing and revising Draft.	RA & TDYs continue working OJT using and revising, get joint FBA & BA-RS Working Group activated.

Expand core procedures, draft, test & implement. Establish working group to review/adapt.	*2Q-01	**NO.** Working group delayed due to high priority examination of problem banks.	*(TDYs in Federation in Oct-01 to begin expansion, emphasis on Risk Mgmt. concept to identify, evaluate and manage new & emerging risks.)*
3.d Guidance on Workpapers, reporting formats, = appropriate, standardized, consistent.	Ongoing 4Q-99 & Ongoing	**YES.** Basic procedures and documentation are well grounded in examinations now, i.e., they are essentially using the process established in prior TDY assisted work.	
3.e. Ensure exam. Findings communicated to bank & Agency, and corrective actions obtained, violations corrected.	4Q-99 & Ongoing	**PARTIAL.** TDYs assisting are stressing this, but further guidance is needed in communication of causes of deficiencies, and esp., in obtaining corrective actions. Further training will be needed from planning & examination through communication & obtaining correction. This will require changing the culture and involve the top through the full supervision organization and legal. TDY in Nov-00, Feb-Mar-01 & Aug-01 followed-up on this area, and addl.	Re-start formal training. Emphasize in formal training and OJT. Ensure top officials involved in training, ensure understanding and initiative started, get buy-in. OJT planned 4Q-01 & 1Q-02.
Training to improve methods & techniques for follow-up on corrective actions, e.g. database to track actions.	3 Q-00	**PARTIAL.** Paper system in place. A computer-based system is planned. Discussed with Director of Supervision & IT the need for database of exam. reports, offsite reports, permanent & founders files, major loan criticisms, violations, corrective actions requested, etc. Future: Plan, Implement & Test system with BA-RS personnel.	Include discussion in training seminars.

4. Supervisory Monitoring System/Recordkeeping *(Develop interactive technology-based supervisory monitoring system for recording onsite exam. Results, offsite reviews, other interactions with banks.)*		(Note: This should be integrated with above database.) Presently: PC based reports, not inclusive or interactive.	
Develop concept, Outline Plan	2Q-00	**NO.** Delayed for other issues.	Find, develop simple system that can expand as needs & resources avail.
Implement System Development	3Q-00	Above.	Plan timetable.
*Develop & Implement	*4Q-01		Planning leading up to efforts in late-01.
B. Problem Bank Supervisory Responses		Note: BA-RS appointed Provisional Administrator/Liquidator for 2 inactive private banks whose license was revoked.	
5. Supervisory Responses: *(Assist development of appropriate responses to risks & weaknesses at banks & within system. Focus on standardized policies for resolving /liquidating failed banks on appropriate & least-cost bases.)*		Most of the "cleaning of the old system" will be centered in Ministry of Finance and Bank Privatization Unit although MOF says BA-RS will have a major role. Recent Provisional Administration in 2 small state-owned banks. Gov. will seek sale or merger before liquidation started.	
1.a) Assist Agency to strengthen policies & procedures to deal with problem banks.	2Q-00	**YES.** TDY & RA provided much guidance and review with staff. Procedures developed for FBA followed, some revisions made.	Monitor activities, Plan TDYs for next bank interventions.

Adapt Procedures Manual to BA-RS	2Q-01	**YES.** BA-RS is reviewing, using and will essentially adapt FBA manual and process. However, the structure & projected problems will differ in intensity & magnitude, requiring modification. A separate dept. is not needed.	Facilitate BA-RS & FBA discussion of experiences to enhance understanding & benefit from lessons learned.
Emphasizes: 1) consistent & timely corrective actions, 2) tailor action to severity of problem.	3Q-00	**YES.** Comprehensive procedures guide one & help reach proper conclusions.	
Develop expertise in handling actions.	Ongoing	**PARTIAL.** Reviewing, planning before take-over & follow-on review helps to benefit from the first 2 actions plus discussion with FBA	
1.b) Assist Agency to determine If, When & How banks to be closed if insolvent. Refine Conservator manual to address roles & responsibilities of Agency & Provisional Administrator.	3Q-00	**PARTIAL.** Thorough review, discussion & actions were a good start. Addl. classroom & OJT training will be needed to formalize process of identifying serious problems, taking consistent & timely actions in proportion to seriousness.	
Provide guidance & training to PA.	2Q-00	**PARTIAL.** Guidance based on experience in FBA.	
1.c) Provide training on determining least-cost strategy of resolution. Develop & train on models for resolution options & techniques.	3Q-01	**NO.** Concept discussed.	Review in view of upcoming actions, incl. 2 largest state banks.
1.d) assist Agency develop communications policy & process to inform public, government & other on resolution/liquidation of failed banks.		**PARTIAL.** Informal discussions only. Planned 4Q-01.	Review process in FBA, including Official Press Spokesperson and make recommendations made for BA-RS.

C. Examiner Training & Accreditation *Identify new training needs; focus on advanced topics and techniques, and products. Emphasizes more interactive training & discussions, case suits.*		**PARTIAL for whole area.** 8 from 2 agencies attended US-based training 11-00 for this combined area of Training, Performance Mgmt. & Accreditation. U.S. training was base for developing this area.	Re-engage this issue in 4Q-01, Re-start joint Meetings. In 1Q-02.
1.a) Help Agency develop formal in-house & external training program. New hires will have training in all basic & core areas.	3Q-00 & Ongoing	2 Working Groups were established at each Agency; 1 focused on Assessment Evaluation Forms and instructions, & other on developing criteria and process leading to Accreditation of Examiners.	
Help identify trainers, train them & set minimum standards for classroom & OJT.	3Q-00	TDY Advisor facilitated began development of portions in Feb-01.	
Help determine best outside training operations to complement classroom & OJT.	2Q-00	FBA & BA-RS Working Groups held joint sessions Feb-01, agreed to continue work with frequent telephone contact, then another joint session later.	
1.b.) Help Agency develop & implement accreditation process. Help develop standard criteria & test. Include realistic timetable & interim measurements.	2Q-00 – 4Q-00	FBA Working Group suspended efforts for a period for higher priority supervision problems. TDY Advisor/ Facilitator return was postponed due to the supervision problems needing priority attention.	
* Complete, conduct 1st certification.	* 3Q-01	**NO.** Est. now 2Q-2002	
1.c.) Help identify external training needs, plans of study & candidates. Work with Agency & IFIs, et. al. for opportunities & funding for external training. Emphasis: new & peripheral areas.	3Q-00 & Ongoing	**NO.** Train-the-Trainer, Communications & Managing the Examination delayed for critical supervision & enforcement matters.	Address this area following & in conjunction with re-engagement of above comprehensive area.

D. Licensing Activities & corporate Activities			Note: New BA-RS Director, Attorney & most of Managing Board.
Assist Agency develop comprehensive licensing & corporate policies & procedures manual for proper control of entry & exit.	4Q-99	**YES.** TDY assisted in comprehensive revision of Manual in Dec-99. Included new licenses, mergers, acquisitions, branches, etc. Newly permitted activity, internal payment transfers was included as Payment Bureaus out. The process was tested in Jan-Feb. 2000 with TDY advisor assisting staff to ensure process properly developed & implemented.	A review of the process is needed to focus on more in-depth analysis of organizers, founders, proposed senior officials & the projected business plan. More effort in probing and analyzing may be needed, along with how to make such determinations.
Ensure timely & transparent decision making process.	2Q-00	**YES.** Included above.	Additional effort is needed Pre-Approval to ensure applicants understand the Law, Regulations and sound banking practices expected.
Provide training to ensure implementation of policies & procedures.	2Q-00	**YES.** Noted above, Feb-00.	
Assist development of communication on revised licensing/corp. requirements.	2Q-00	**YES.** Included above.	Plan TA for 1Q-02 to do review and make recommendations, include likely changes in law, regulations.
*Review procedures, provide training.	*3Q-01	**NO.** See plans, est. law change.	

E. Agency, Management, Organization & Communication/Outreach Activities			**NOTE: Working groups have been *formed to develop implementation* process for placing both Agencies under the "umbrella" of the Central Bank according to IMF requirements. Will provide better protection, independence, and funding. Target is YE- 2001. This will require re-organization effort.**
1. Organizational Structure: Assist Agency to ensure that structure, lines of authority and position descriptions remain appropriate.	4Q-99 to 3Q-00	**PARTIAL.** TDY conducted review in June-00, made recommendations. Conclusions reviewed with management.	
Provide guidance on process to evaluate staffing needs and interview/select new employees.	4Q-00 & Ongoing	**PARTIAL.** U.S. based training Nov-00 was background and initiation step for developing base for a performance mgmt. system in 2001. Delayed due to high priorities on problem banks.	Note: New Agency Director, Deputy, Attorney & most of Managing Board.
Assist with periodic reviews to ensure the structure remains current with needs and strategic objectives in view of constraints.	4Q-00 & Ongoing	Above.	All of this area needs to be reviewed in view of the changes at BA-RS top. Some seminars/ training should be repeated and other efforts added or created, incl. Corporate Governance area.
2. Organizational Policies/supervisory Culture:			
Assist Agency to formalize personnel policies to ensure that expectation of Agency is understood by all staff.	3Q-00	**PARTIAL.** Process included in U.S. based and In-country follow-on training developed to enhance skills in this area, and to address some issues noted in the review above.	
Ensure personnel policies are documented, and address evaluation, benefits, ethics & professional behavior.	3Q-00	**PARTIAL.** Training in Ethics & Professional Behavior provided. Management, Communication, Performance Management process, Teamwork, etc. included in U.S. based training.	

3. <u>Communication Processes:</u> Assist Agency develop formal communication channels internally & externally.	1Q-00 & Ongoing	**PARTIAL.** Informal guidance to advise of need, objectives in pro-active manner.	Review this area with new senior officials and emphasize the benefits of a sound communication policy, especially in view of the coming stress as a number of banks will be liquidated, merged or other resolution related to privatization.
Regular communication must exist between Agency, banks, banking system & other agencies.	1Q-00 & Ongoing	**PARTIAL.** Advisors participated in a seminar organized by Bankers Association for bankers & BA-RS to discuss the application and qualification for approval to provide payments transfer.	
Guidance will assist determination of proper info. To disseminate to banking system & to public to build confidence in Agency.	1Q-00 & Ongoing	**PARTIAL.** BA-RS organized a seminar for bankers to discuss the recently issued regulations. Limited discussion has been held on the need for BA-RS to have a web site for communication, to include information on the banking system, reports, regulations, etc. BA-RS & Advisor participate in monthly meetings with FBA, Dep. Ins. Agency & Central Bank-BH to discuss banking issues & other matters affecting banks.	

F. Legal/Regulatory Framework			
1. Assist Agency to refine Law on banks & maintain harmonization.	Ongoing	**YES.** Law essentially same as Federation.	Prepare BA-RS for possible changes – amendments initiated in Federation by Intl. Groups and MOF.
2. Assists in further development of regulations to delineate Law and ensure safety & soundness.	Ongoing	**YES.** E.g., A very critical issue was legal protection for supervisors while performing duties. Existing law facilitated lawsuits & threats against supervisory officials & employees. OHR decreed amendment drafted by USAID Advisors and OHR.	
3. Assist Agency to provide interpretations of law/Regs. to promote understanding & effectiveness.	Ongoing	**YES.** Regularly advises & discusses changes in law, regulations and interpretations.	
4. Provide legal guidance on financial sector issues that will impact the bank supervisory function (micro-finance, payment system, etc.)	Ongoing & as needed	**YES.** Provide recommendations to BA-RS and others involved.	

G. Other supervisory Tasks Other Activities: Provide technical guidance in related areas as requested by Agency & approved by CTO. This may include: accounting reform, depositor protection, payment system reform, information technology, etc. And, to assist other TA projects related to banking sector as requested by USAID.	As needed	**YES.** Considerable effort provided on payment system reform, qualifying banks noted above. Provided input on Internet & future uses noted, e.g., license application process, list of banks with key data, etc. Provided input on Deposit insurance law, now passed, creating agency, but which must now be reorganized at state level to obtain international donor funding. Provided comments on micro-finance, frozen foreign currency, collateral laws & cadastral system.	